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Proposed programme budget for the biennium 2004-2005**Revised estimates: effect of changes in rates of exchange and inflation****Report of the Secretary-General****Summary*

In accordance with established practice, the proposed programme budget is recosted prior to its adoption by the General Assembly. A preliminary recosting is reflected in the budget proposals of the Secretary-General (A/58/6 (Introduction, sects. 1-35, and Income sects. 1-3) and Corr.1).

The present report provides the latest data on actual inflation experience, the outcome of salary surveys, the movement of post adjustment indices in 2003, salary expenditure experience and the effect of the evolution of operational rates of exchange in 2003 on the proposed programme budget for 2004-2005.

After recosting, the resources under the expenditure sections as proposed by the Secretary-General, and as would be modified if the recommendations of the Advisory Committee on Administrative and Budgetary Questions were to be applied, would amount to \$3,167.6 million. The recosted estimates of income for 2004-2005 amount to \$419.4 million.

* The present report is being issued as scheduled to best reflect data availability.



1. To provide a comparable basis on which to analyse increases and decreases from one biennium to another, the proposed programme budget is presented at the same price levels and rates of exchange as the current programme budget. At the same time, the proposed programme budget contains provisions for anticipated increases due to inflation and adjustments due to changes in the rates of exchange. These are isolated and presented separately in the column entitled "recosting" in the proposed programme budget. The programme budget is subsequently recosted three times in the biennial cycle, as follows:

(a) The first such recosting is contained in the present report, which is submitted to the General Assembly for the purpose of updating the resource requirements in the proposed programme budget before an initial appropriation is approved;

(b) The second will be reflected in the revised estimates included in the first performance report on the programme budget, submitted by the Secretary-General at the end of the first year of the biennium in connection with approval of a revised appropriation;

(c) The third will be included in the second performance report, submitted at the end of the second year of the biennium, in connection with approval of the final appropriation.

2. As foreseen in the introduction to the proposed programme budget for the biennium 2004-2005 (A/58/6 (Introduction), para. 59), the proposed programme budget is recosted to take into account changes in operational rates of exchange, actual inflation experience, the outcome of salary surveys, if any, and the movement of post adjustment indices. The recosting in the present report is based on the initial budget proposals of the Secretary-General, amended in accordance with the recommendations of the Advisory Committee on Administrative and Budgetary Questions,¹ using the data available in October 2003. Other elements, including revised cost estimates and statements of programme budget implications, may later be the subject of a separate recosting exercise using the same parameters as are applied in the present report.

3. Table 1 provides a summary of the results of the recosting based on the parameters described in the following paragraphs. It may be subject to further revision, as necessary, as a result of specific decisions of the Fifth Committee on programme budget implications and revised estimates.

Table 1

Summary of recosting of the proposed programme budget for the biennium 2004-2005

(Thousands of United States dollars)

Proposed programme budget (1)	Adjustments recommended by Advisory Committee (see para. 10 below) (2)	Proposed programme budget plus Advisory Committee adjustments (3) = (1 + 2)	Recosting				Estimated appropriation (8) = (3 + 7)
			Exchange rate (4)	Inflation (5)	Adjustment of salary standards (6)	Total (7) = (4 + 5 + 6)	
3 058 203.5	(41 048.2)	3 017 155.3	119 631.9	18 992.2	11 836.5	150 460.6	3 167 615.9

4. The proposed revised recosting factors to be applied for the first recosting in the biennial cycle, compared with the assumptions applied in the preliminary recosting included in the proposed programme budget for the biennium 2004-2005, are set out in the following schedules:

Schedule I. Rates of exchange relative to the United States dollar and annual rates of inflation by main duty station included in the proposed programme budget and in the present report;

Schedule II. Post adjustment multipliers by main duty station;

Schedule III. Annual cost-of-living adjustments by main duty stations (General Service);

Schedule IV. Effect of recosting by budget section and main determining factor.

5. In the present recosting, the latest United Nations operational rates of exchange (those in effect as at October 2003) have been used as the basis for recosting for four duty stations, namely, Addis Ababa, Beirut, Nairobi and Mexico. For all other locations, using the average actual rates from January to October 2003 and using the October rate for November and December yields the lowest estimates. Accordingly, the averaging method has been used for these duty stations in the current recosting. This approach is consistent with the views of the Advisory Committee on Administrative and Budgetary Questions, as indicated in paragraph 5 of its seventh report on the proposed programme budget for the biennium 1996-1997,² that the Administration should use such operational rates of exchange in recosting exercises as would allow for the lowest estimates.

6. The estimated additional requirement of \$119.6 million in respect of exchange rate fluctuations reflects the impact of additional requirements arising in respect to the Swiss franc at Geneva (\$88.3 million), the euro at Vienna and The Hague (\$22.9 million), as well as currency shifts at duty stations at Santiago (\$2.8 million), and Bangkok (\$2.5 million). Exchange rate movements at a number of other duty stations result in additional requirements of \$4.5 million, partially offset by reduced requirements (\$1.4 million) in respect of Addis Ababa, Mexico and Port-of-Spain.

7. With respect to inflation, consideration is given, as necessary, to a series of factors, including analysis of the movement of the consumer price index at the different duty stations for goods and services and probable increases in the salaries of General Service staff as a result of the movement of consumer price indices and the outcome of comprehensive salary surveys. In the case of the salaries of Professional staff, while base salaries are not affected by exchange rates, as they are denominated in United States dollars, the post adjustment component moves in response to changes in both cost of living and exchange rates. Accordingly, the increases resulting from inflation comprise three elements, namely, post adjustment increases for Professional staff, salary adjustments for General Service staff and adjustments to non-post estimates. With regard to Professional staff costs, necessary adjustments are triggered by movements in post adjustment multipliers approved by the International Civil Service Commission. As for General Service salary and non-post requirements, changes are attributable to cost-of-living adjustments and movements in rates of inflation respectively relative to those originally estimated. It should be noted in this regard that realized levels of inflation in 2003 directly affect

price and salary levels for the forthcoming biennium, so higher than anticipated 2003 increases add to the requirements for 2004-2005.

8. The estimated additional requirement of \$19.0 million for inflation reflects requirements arising in respect of Professional salaries (\$10.8 million), General Service salaries (\$5.3 million), staff assessment (\$0.2 million), and non-post objects of expenditure (\$2.7 million). Requirements for non-post objects of inflation are largely the result of a number of revisions, including an upward adjustment to rates for Addis Ababa, as well as a slight downward shift in budgeted rates for New York. Adjustments to budgeted post adjustment multipliers take into account post adjustment classifications of the International Civil Service Commission for Addis Ababa effective May 2003 and for New York effective September 2003.

9. The standard salary costs are also adjusted to incorporate the latest trends following an analysis of monthly payroll data by grade for each duty station. These adjustments result mainly in the redistribution of resources among duty stations to reflect the most recent levels of payroll expenses, including staff assessment, at different offices. Similar adjustments are made to common staff costs to reflect updated information relating to allowances and benefits, appointments, transfers and separation of staff. The net effect of the adjustment of salary standards amounts to \$11.8 million, consisting of \$2.5 million for average net base salary costs and \$9.3 million for common staff costs.

10. The present recosting reflects the recommendations of the Advisory Committee that affect the proposed programme budget for the biennium 2004-2005. Those recommendations, amounting to reductions of \$41,048,200 and \$3,806,000 for expenditure and income sections respectively, are listed in the Advisory Committee's report on the proposed programme budget for the biennium 2004-2005 (A/58/7). While the General Assembly has yet to take action on the recommendations, the recommendations are reflected to the extent that they can be specifically costed. This is consistent with past practice and allows Member States to have a more comprehensive picture of the overall level of estimates in determining the appropriation for 2004-2005. Nevertheless, the indicative inclusion of the effect of applying the recommendations of the Advisory Committee is provided without prejudice to decisions yet to be made on those recommendations.

11. Schedule IV contains a detailed listing, by budget section and main determining factor, of the revised estimates for the biennium 2004-2005 resulting from the recosting of the resource requirements of the expenditure sections in the proposed programme budget, including the adjustments related to the recommendations of the Advisory Committee, using the rates of exchange and inflation recommended in the present report.

12. The foregoing budget factors are also proposed to be applied to the income sections. The revised estimates for the income sections are summarized in table 2.

Table 2
Revised estimates for income sections 1 to 3 of the proposed programme budget for the biennium 2004-2005

(Thousands of United States dollars)

<i>Income section</i>	<i>Proposed programme budget (1)</i>	<i>Adjustments recommended by Advisory Committee (2)</i>	<i>Proposed programme budget plus Advisory Committee adjustments (3) = (1 + 2)</i>	<i>Increase/ (decrease)</i>	<i>Revised estimates</i>
IS1. Income from staff assessment	380 712.5	(4 136.2)	376 576.3	14 293.8	390 870.1
IS2. General income	23 019.1		23 019.1	1 024.1	24 043.2
IS3. Services to the public	3 591.8	330.2	3 922.0	546.0	4 468.0
Total	407 323.4	(3 806.0)	403 517.4	15 863.9	419 381.3

Notes

¹ *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 7 (A/58/7).*

² *Ibid., Fifty-first Session, Supplement No. 7 (A/51/7/Add.1-9), document A/51/7/Add.6.*

Schedule I

Rates of exchange relative to the United States dollar and annual rates of inflation by duty station included in the proposed programme budget and in the present report

Duty station (currency)	Rates of exchange 2004-2005		Rates of inflation applicable to non-post objects of expenditure						
			Proposed Programme budget		Present report				
	Proposed programme budget	Present report ^a	2003 ^b	2004-2005 ^c	2002 ^d	2003 ^d	2004 ^e	2005 ^e	
Vienna (euro)	1.073	0.901	1.6	1.6	1.8	1.4	1.3	1.6	
Santiago (Chilean peso)	735.000	698.833	2.9	2.9	2.5	3.2	3.0	3.4	
Addis Ababa (Ethiopian birr)	8.570	8.610	-	-	-	12.0	4.0	4.0	
United Nations Military Observer Group in India and Pakistan (rupee)	48.308	46.396	5.9	5.9	4.3	4.6	5.4	6.7	
Beirut (Lebanese pound)	1509.000	1501.000	1.5	1.5	4.0	2.5	2.5	2.5	
United Nations Truce Supervision Organization (shekel)	4.720	4.541	2.7	2.7	5.7	1.0	1.5	1.7	
Gaza (shekel)	4.720	4.541	2.7	2.7	5.7	1.0	1.5	1.7	
United Nations Relief and Works Agency for Palestine Refugees in the Near East (shekel)	4.720	4.541	2.7	2.7	5.7	1.0	1.5	1.7	
Nairobi (Kenyan shilling)	78.458	77.500	2.0	2.0	2.4	5.5	3.0	3.0	
Mexico City (Mexican peso)	9.900	10.860	4.0	4.0	5.0	4.3	3.7	3.0	
The Hague (euro)	1.073	0.901	2.3	2.3	3.3	2.0	1.2	1.6	
Bangkok (baht)	43.170	41.646	1.9	1.9	0.6	1.6	1.2	2.1	
Port-of-Spain (Trinidad and Tobago dollar)	6.098	6.123	3.1	3.1	4.1	5.0	5.0	5.0	
New York (United States dollar)	1.000	1.000	2.2	2.2	1.6	2.1	1.3	2.8	
United Nations Security Coordinator	1.000	1.000	2.2	2.2	1.6	2.1	1.3	2.8	
Geneva (Swiss franc)	1.575	1.359	0.8	0.8	0.6	0.6	1.1	1.7	
United Nations information centres ^e	1.000	1.000	2.2	2.2	1.6	2.1	1.3	2.8	

^a Based on average actual rates used from January to October 2003, with the October rate projected through to December; October 2003 rates were used for Addis Ababa, Beirut, Nairobi, Mexico.

^b Revised 2002-2003 appropriations.

^c Projected.

^d Final 2002-2003 estimates.

^e Combined effect of inflation and exchange rate changes.

Schedule II
Post adjustment multipliers by main duty station

<i>Duty station</i>	<i>Programme budget</i>			<i>Present report</i>			
	<i>2003^a</i>	<i>2004</i>	<i>2003</i>	<i>2002^b</i>	<i>2003^b</i>	<i>2004</i>	<i>2003</i>
Vienna	16.10	17.96	19.85	15.13	33.88	36.70	36.70
Santiago	5.38	8.44	11.58	1.47	9.93	17.40	17.72
Addis Ababa	13.33	13.33	13.33	9.16	18.80	24.63	27.03
United Nations Military Observer Group in India and Pakistan	6.75	13.05	19.72	5.27	11.85	23.03	26.97
Beirut	35.68	37.72	39.79	32.13	37.00	38.17	40.52
United Nations Truce Supervision Organization	25.52	28.91	32.39	14.82	30.00	33.00	33.28
Gaza	25.52	28.91	32.39	14.82	30.00	33.00	33.28
United Nations Relief and Works Agency for Palestine Refugees in the Near East	25.52	28.91	32.39	14.82	30.00	33.00	33.28
Nairobi	9.45	11.64	13.87	5.42	15.57	21.37	23.73
Mexico	13.42	17.96	22.68	13.49	14.17	17.70	19.83
The Hague	17.30	20.00	22.76	10.07	32.70	35.60	35.60
Bangkok	8.35	10.41	12.51	3.28	13.42	18.90	19.08
Port-of-Spain	18.98	22.67	26.47	12.75	22.28	28.10	31.83
New York	46.72	49.95	53.25	42.78	48.83	54.90	57.83
United Nations Security Coordinator	13.70	16.20	18.76	13.70	48.83	13.88	14.27
Geneva	35.80	36.89	37.99	30.35	48.27	48.80	48.80
United Nations information centres	14.00	16.55	19.11	13.70	14.03	14.21	14.61

^a Revised 2002-2003 appropriations.

^b Final 2002-2003 estimates.

Schedule III
Annual cost-of-living adjustments by main duty station (General Service)
 (Percentage)

<i>Duty station</i>	<i>Proposed programme budget</i>		<i>Present report</i>		
	<i>2003^a</i>	<i>2004-2005^b</i>	<i>2003^c</i>	<i>2004^b</i>	<i>2005^b</i>
Vienna	1.60	1.60	2.08	1.30	1.60
Santiago	2.90	2.90	2.04	3.00	3.40
Addis Ababa	0.00	0.00	4.72	4.00	4.00
United Nations Military Observer Group in India and Pakistan	5.90	5.90	4.13	5.40	6.70
Beirut	1.50	1.50	5.71	2.50	2.50
United Nations Truce Supervision Organization	2.70	2.70	0.00	1.50	1.70
Gaza	2.70	2.70	0.00	1.50	1.70
United Nations Relief and Works Agency for Palestine Refugees in the Near East	2.70	2.70	0.00	1.50	1.70
Nairobi	2.00	2.00	0.00	3.00	3.00
Mexico	4.00	4.00	3.60	3.70	3.00
The Hague	2.30	2.30	4.00	1.20	1.60
Bangkok	1.90	1.90	14.01	1.20	2.10
Port-of-Spain	3.10	3.10	7.28	5.00	5.00
New York	2.20	2.20	2.37	1.30	2.80
United Nations Security Coordinator	2.20	2.20	2.37	1.30	2.80
Geneva	0.80	0.80	1.16	1.10	1.70
United Nations information centres	2.20	2.20	2.37	1.30	2.80

^a Revised 2002-2003 appropriations.

^b Projected.

^c Actual figures.

Schedule IV
Effects of recosting by budget section and main determining factor

(Thousands of United States dollars)

Expenditure section	Proposed programme budget (1)	Adjustments recommended by Advisory Committee (2)	Proposed programme budget plus Advisory Committee adjustments (3)=(1+2)	Recosting				Estimated appropriation (8)=(3+7)
				Exchange rate (4)	Inflation (5)	Adjustment of salary standards (6)	Total (7)=(4+5+6)	
1. Overall policy-making, direction and coordination	57 187.9	(876.2)	56 311.7	920.1	373.4	258.4	1 551.9	57 863.6
2. General Assembly affairs and conference services	492 911.4	(3 941.1)	488 970.3	28 664.4	1 349.8	4 284.7	34 298.9	523 269.2
3. Political affairs	240 155.6	(998.9)	239 156.7	384.5	(231.8)	942.5	1 095.2	240 251.9
4. Disarmament	17 670.3	(508.8)	17 161.5	389.6	131.6	64.0	585.2	17 746.7
5. Peacekeeping operations	88 055.8	(2 156.6)	85 899.2	1 899.0	(683.4)	(790.7)	424.9	86 324.1
6. Peaceful uses of outer space	4 807.1	(27.5)	4 779.6	818.2	(105.2)	6.9	719.9	5 499.5
7. International Court of Justice	28 668.6	(283.2)	28 385.4	3 592.7	(109.5)	141.5	3 624.7	32 010.1
8. Legal affairs	37 900.3	(568.2)	37 332.1	761.7	557.3	199.1	1 518.1	38 850.2
9. Economic and social affairs	136 462.3	(2 316.1)	134 146.2	0.0	2 809.6	916.0	3 725.6	137 871.8
10. Least developed countries, landlocked developing countries and small island developing States	4 233.1	(24.8)	4 208.3	0.0	90.4	43.5	133.9	4 342.2
11. United Nations support for the New Partnership for Africa's Development	9 103.6	(44.4)	9 059.2	(4.4)	286.1	55.2	336.9	9 396.1
12. Trade and development	96 998.2	(1 258.5)	95 739.7	14 265.0	(3 467.6)	(272.6)	10 524.8	106 264.5
13. International Trade Centre	20 938.0	-	20 938.0	-	-	-	-	20 938.0
UNCTAD/WTO ^a	10 012.3	(214.4)	9 797.9	339.0	498.3	(12.6)	824.7	10 622.6
14. Environment	14 918.1	(306.6)	14 611.5	149.4	970.5	(350.0)	769.9	15 381.4
15. Human settlements	8 375.6	(42.7)	8 332.9	1 448.5	(193.8)	78.7	1 333.4	9 666.3
16. Crime prevention and criminal justice	18 078.5	(376.8)	17 701.7	2 915.3	(355.1)	120.5	2 680.7	20 382.4
17. International drug control								
18. Economic and social development in Africa	88 117.2	(1 573.8)	86 543.4	(334.0)	10 149.7	(154.0)	9 661.7	96 205.1
19. Economic and social development in Asia and the Pacific	64 727.1	(1 092.6)	63 634.5	2 145.9	3 296.7	(2 188.0)	3 254.6	66 889.1
20. Economic development in Europe	46 948.1	(842.0)	46 106.1	6 942.9	(1 924.7)	17.9	5 036.1	51 142.2

Expenditure section	Proposed programme budget (1)	Adjustments recommended by Advisory Committee (2)	Proposed programme budget plus Advisory Committee adjustments (3)=(1+2)	Recasting			Estimated appropriation (8)=(3+7)
				Exchange rate (4)	Inflation (5)	Adjustment of salary standards (6)	
						(7)=(4+5+6)	
21. Economic and social development in Latin America and the Caribbean	81 211.7	(1 904.9)	79 306.8	1 658.6	294.1	130.5	81 390.0
22. Economic and social development in Western Asia	53 699.7	(553.7)	53 146.0	264.6	873.4	(1 586.7)	52 697.3
23. Regular programme of technical cooperation	44 197.1	-	44 197.1	1 392.2	1 289.9	-	46 879.2
24. Human rights	53 540.4	(1 867.3)	51 673.1	5 950.3	(1 499.8)	198.7	56 322.3
25. Protection of and assistance to refugees	49 282.1	(1 274.1)	48 008.0	7 500.7	422.6	50.6	55 981.9
26. Palestine refugees	32 585.1	(190.0)	32 395.1	1 120.1	(567.4)	73.3	33 021.1
27. Humanitarian assistance	22 905.3	(900.8)	22 004.5	860.8	31.0	91.9	22 988.2
28. Public information	158 802.0	(1 855.0)	156 947.0	1 162.8	952.9	861.0	159 923.7
29A. Office of the Under-Secretary-General for Management	9 698.3	(371.8)	9 326.5	0.0	195.4	82.8	9 604.7
29B. Office of Programme Planning, Budget and Accounts	28 343.9	(537.6)	27 806.3	0.0	537.5	235.9	28 579.7
29C. Office of Human Resources Management	56 804.2	(415.7)	56 388.5	0.0	609.0	257.8	57 255.3
29D. Office of Central Support Services	268 766.8	(6 910.6)	261 856.2	0.0	129.7	(159.5)	261 826.4
29E. Administration, Geneva	98 460.3	(1 515.6)	96 944.7	15 080.1	419.8	1 497.6	113 942.2
29F. Administration, Vienna	27 847.9	(455.9)	27 392.0	5 048.3	113.8	510.1	33 064.2
29G. Administration, Nairobi	16 207.7	(101.0)	16 106.7	183.3	1 079.9	1 201.4	18 571.3
30. Internal oversight	22 847.4	(368.3)	22 479.1	407.5	444.7	(28.5)	23 302.8
31. Jointly financed administrative activities	24 533.6	(299.9)	24 233.7	504.0	(351.3)	109.0	24 495.4
32. Special expenses	78 284.5	-	78 284.5	1 571.8	(297.5)	-	79 558.8
33. Construction, alteration, improvement and major maintenance	54 245.0	-	54 245.0	2 713.6	660.7	-	57 619.3
34. Staff assessment	376 606.4	(4 072.8)	372 533.6	8 915.4	211.5	4 949.6	386 610.1
35. Development Account	13 065.0	-	13 065.0	-	-	-	13 065.0
Total	3 058 203.5	(41 048.2)	3 017 155.3	119 631.9	18 992.2	11 836.5	3 167 615.9

^a The applicable recosting of section 13 will be incorporated in the proposed programme budget for the International Trade Centre UNCTAD/WTO to be issued separately.

